



NETHOPE, INC.

Financial Statements

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)



**and
Report Thereon**



**Reports Required in Accordance with
Office of Management and Budget Circular A-133**

For the Year Ended June 30, 2014



NETHOPE, INC.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NetHope, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of NetHope, Inc. (NetHope), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NetHope as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Summarized Comparative Information

The financial statements of NetHope as of June 30, 2013, were audited by other auditors whose report dated February 1, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2015, on our consideration of NetHope's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NetHope's internal control over financial reporting and compliance.

Raffa, P.C.

Raffa, P.C.

Washington, DC
February 18, 2015

NETHOPE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2014

(With Summarized Financial Information as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,440,897	\$ 916,938
Accounts receivable, net of allowance of \$5,000 and \$8,445 for 2014 and 2013, respectively	27,757	66,659
Grants receivable	360,844	1,020,616
Prepaid expenses	<u>28,876</u>	<u>29,817</u>
Total Current Assets	2,858,374	2,034,030
Deposits	12,300	9,000
Property and equipment, net	<u>4,127</u>	<u>3,522</u>
TOTAL ASSETS	<u><u>\$ 2,874,801</u></u>	<u><u>\$ 2,046,552</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 569,245	\$ 1,246,783
Deferred revenue	<u>232,283</u>	<u>70,440</u>
TOTAL LIABILITIES	<u><u>801,528</u></u>	<u><u>1,317,223</u></u>
Net Assets		
Unrestricted	681,501	366,619
Temporarily restricted	<u>1,391,772</u>	<u>362,710</u>
TOTAL NET ASSETS	<u><u>2,073,273</u></u>	<u><u>729,329</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,874,801</u></u>	<u><u>\$ 2,046,552</u></u>

The accompanying notes are an integral part of these financial statements.

NETHOPE, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 3,876,702	\$ 2,209,908	\$ 6,086,610	\$ 5,554,075
Donated goods and services	1,197,434	-	1,197,434	2,450,282
Membership dues	652,208	-	652,208	632,014
Contract services and fees	443,356	-	443,356	320,400
Interest and other income	17,165	-	17,165	4,742
Net assets released from restrictions:				
Released from purpose restrictions	1,180,846	(1,180,846)	-	-
TOTAL REVENUE AND SUPPORT	7,367,711	1,029,062	8,396,773	8,961,513
EXPENSES				
Program Services:				
Global Broadband and Innovations	3,198,488	-	3,198,488	3,520,070
Other programs	1,629,007	-	1,629,007	4,014,814
Emergency response	295,400	-	295,400	223,673
Shared services	157,262	-	157,262	122,287
HealthCom capacity	147,146	-	147,146	63,560
Connectivity	30,107	-	30,107	33,529
Field capacity	3,607	-	3,607	152,413
Total Program Services	5,461,017	-	5,461,017	8,130,346
Supporting Services:				
Management and general	1,408,697	-	1,408,697	428,219
Fundraising	183,115	-	183,115	293,584
Total Supporting Services	1,591,812	-	1,591,812	721,803
TOTAL EXPENSES	7,052,829	-	7,052,829	8,852,149
CHANGE IN NET ASSETS	314,882	1,029,062	1,343,944	109,364
NET ASSETS, BEGINNING OF YEAR	366,619	362,710	729,329	619,965
NET ASSETS, END OF YEAR	\$ 681,501	\$ 1,391,772	\$ 2,073,273	\$ 729,329

The accompanying notes are an integral part of these financial statements.

NETHOPE, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

Increase (Decrease) in Cash and Cash Equivalents

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,343,944	\$ 109,364
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	26,785	6,945
Changes in assets and liabilities:		
Accounts receivable	38,902	97,794
Grants receivable	659,772	(208,084)
Prepaid expenses	941	42,343
Deposits	(3,300)	-
Accounts payable and accrued expenses	(677,538)	554,133
Deferred revenue	161,843	(300,474)
	1,551,349	302,021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(27,390)	(1,030)
	(27,390)	(1,030)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,523,959	300,991
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	916,938	615,947
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,440,897	\$ 916,938

The accompanying notes are an integral part of these financial statements.

NETHOPE, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2014

1. Organization and Summary of Significant Accounting Policies

Organization

NetHope, Inc. (NetHope), which started in 2001, is a new-generation information technology collaboration of 41 leading international nongovernmental organizations (NGOs) representing more than \$40 billion (U.S.) of humanitarian development, emergency response, and conservation programs serving millions of beneficiaries in more than 180 countries. Through member collaboration and by facilitating public-private partnerships with major technology companies, foundations, and individuals, NetHope helps members use their technology investments to better serve people in the most remote areas. NetHope is supported primarily through member dues and grants and contributions and was incorporated under the laws of the state of Delaware.

Basis of Accounting

NetHope uses the accrual method of accounting for financial statement reporting purposes. Under this method, revenue is recognized when earned and expenses when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market accounts. For the purposes of the statement of cash flows, cash equivalents consist of all highly liquid debt instruments with initial maturities of three months or less.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. All amounts are due within one year. Account receivables that are past due are individually analyzed for collectability. When all efforts have been exhausted, the receivable is written off against an allowance account. Management annually adjusts the allowance account based upon its estimate of those receivables it believes to be uncollectible. As of June 30, 2014, NetHope had an allowance of \$5,000.

Property and Equipment and Related Depreciation and Amortization

Property and equipment in excess of \$500 are capitalized and are carried at cost. Depreciation on computers, furniture, fixtures and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from five to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization and any gain or loss is reflected in revenue and support in the accompanying statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

NETHOPE, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2014

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets

The net assets of NetHope are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of NetHope's operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

NetHope recognizes all unconditional contributed support in the period in which the commitment is made. Grants and contributions are considered unrestricted revenue and support and available for general operations unless specifically restricted by the donor. NetHope reports grants of cash and other assets as temporarily restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets as to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized on these grants for which the cash has not been received from the grantor as of year end is reflected as grants receivable in the accompanying statement of financial position.

NetHope receives grants from U.S. government agencies in exchange for services. Revenue from these grants is recognized as direct costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on these grants for which billings have not been presented to the grantor and cash has not been received from the grantor is reflected as grants receivable in the accompanying statement of financial position.

Income from membership dues is recorded during the period of membership, which is generally one year. NetHope prepares an annual dues formula based on members' annual revenue. Dues payments received in advance for a succeeding year are reflected as deferred revenue in the accompanying statement of financial position.

Contract service and fees revenue represents IT support services that are provided to member organizations. Revenue is recognized as services are provided to the member. Revenue recognized on contracts for which billings have not been billed or received as of year end is included in accounts receivable in the accompanying statement of financial position.

Donated Goods and Services

In-kind contributions are recognized as revenue and support and expenses in the accompanying statement of activities at their estimated fair value as provided by the donor, at the date of receipt. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Donated goods and services consist of contributed services and equipment.

NETHOPE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

1. Organization and Summary of Significant Accounting Policies (continued)

Transactions in Foreign Currencies

NetHope conducts some of its programs through a field office in a foreign country and, accordingly, transacts in the local currency of that country. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rate when each transaction is executed and the exchange rate gains and losses are included in grants and contributions revenue in the accompanying statement of activities. The U.S. dollar is considered to be the functional and reporting currency of NetHope. NetHope also maintains an Indonesian bank account with a domestic bank for both convenience and containment of transaction costs.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated proportionately among program and supporting services to which they relate on the basis of the estimated time employees work on each program or activity, direct costs, or other reasonable basis.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants receivable

NetHope's grants receivable consist of the following as of June 30, 2014:

Federal awards	\$ 315,472
Private foundation	<u>45,372</u>
Total Grants Receivable	<u>\$ 360,844</u>

All amounts are due in less than one year and considered fully collectible.

NETHOPE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

3. Property and Equipment and Accumulated Depreciation and Amortization

NetHope's property and equipment consist of the following as of June 30, 2014:

Program equipment	\$ 25,721
Office equipment	8,598
Website	<u>1,000</u>
Total Property and Equipment	35,319
Less: Accumulated Depreciation and Amortization	<u>(31,192)</u>
Property and Equipment, Net	<u>\$ 4,127</u>

Depreciation and amortization expense totaled \$26,785 for the year ended June 30, 2014.

4. Line of Credit

NetHope has a \$250,000 revolving line of credit with a financial institution which matured on February 15, 2015. The line of credit bears interest at the current index rate plus 0.5% and at no time shall the interest be below 4.5% per annum. As of June 30, 2014, the interest rate was 4.5% and no amounts were outstanding on this line of credit. On February 15, 2015, NetHope renewed the line of credit agreement through March 30, 2016.

5. Risks and Contingencies

Office of Management and Budget Circular A-133

NetHope has instructed its independent auditors to audit its applicable federal programs for the year ended June 30, 2014, in compliance with Circular A-133 issued by the U.S. Office of Management and Budget (OMB). Until such audits are reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal agencies of the independent auditor's reports for the year ended June 30, 2014, will not have a material effect on NetHope's financial position as of June 30, 2014, or its results of operations for the year then ended.

Provisional Indirect Cost Rates

Billings under cost reimbursable government contracts and grants are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to audit by the United States Agency for International Development (USAID), NetHope's cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs.

NETHOPE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

5. Risks and Contingencies (continued)

Provisional Indirect Cost Rates (continued)

USAID audits costs related to U.S. Government contracts and grants in accordance with Circular A-122 issued by the OMB. USAID has yet to audit indirect costs for the years ended June 30, 2011 through 2014. Management believes that cost disallowances, if any, arising from USAID's audits will not have a material effect on NetHope's financial position as of June 30, 2014, or results of operations for the year then ended.

6. Temporarily Restricted Net Assets

NetHope's temporarily restricted net assets were available for the following purposes as of June 30, 2014:

Visa Innovation Grant Awards	\$ 524,025
E-Mitra Project	348,665
NetHope Academy	183,862
Women's Tech Connect	124,669
Collaboration and Knowledge Management Tools	98,500
Emergency Response	93,420
Open Humanitarian Initiative	<u>18,631</u>
Total	<u>\$ 1,391,772</u>

7. Concentrations

Major Grantors

For the year ended June 30, 2014, NetHope earned revenue of \$3,068,178, directly from USAID, which represented 43%, of NetHope's total revenue and support excluding in-kind revenue. As of June 30, 2014, \$315,472, of NetHope's grant receivable balance was due from USAID, which represented 87% of NetHope's grants receivable balance. In addition, NetHope received in-kind revenue totaling \$789,712 from Cisco which represented 66% of NetHope's in-kind revenue for the year ended June 30, 2014.

Foreign Operations

During the year ended June 30, 2014, NetHope performed services and transacted business in Albania, Burma, Dominican Republic, Indonesia, Jamaica, Jordan, Kenya, Lebanon, Peru, and Sierra Leone. At June 30, 2014, NetHope maintained a field office and a cash account in Indonesia. The future of these programs can be adversely affected by a number of potential factors such as devaluations, terrorist activity or changes in the political climate. As of June 30, 2014, NetHope had cash in Indonesia of approximately \$14,000, representing less than 1% of NetHope's total assets.

NETHOPE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

8. Donated Goods and Services

Donated goods and services consist primarily of professional services, legal services, staffing, information technology support and equipment donations. Donated services are recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not donated. The financial statements included in-kind revenue and expense for the year ended June 30, 2014 related to the following:

Staffing and equipment	\$ 789,711
Professional fees	250,000
Legal services	153,110
Information technology support services	<u>4,613</u>
Total	<u>\$ 1,197,434</u>

9. Retirement Plan

NetHope established a tax-exempt profit sharing plan and trust (the Plan), effective January 1, 2006, under the Internal Revenue Code Section 401(a). Employees become eligible upon employment and attaining the age of 21. NetHope will match 100% of the employee's contribution to the plan up to 3% of the employee's gross annual salary and then 50% of the employee's contribution to the plan up to 5% of the employee's gross annual salary. Employees are fully vested in the employer contributions once they begin participating in the plan. Contributions to the plan by NetHope were \$20,771 for the year ended June 30, 2014.

10. Income Taxes

NetHope qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code. As such, NetHope is taxed only on its net unrelated business income. No provision for income taxes has been made in the accompanying financial statements for the year ended June 30, 2014, as there was no net unrelated business income.

NetHope follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. NetHope performed an evaluation of uncertain tax positions for the year ended June 30, 2014, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. It is NetHope's policy to recognize interest and penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2014, the statute of limitations for tax years ended June 30, 2011 through June 30, 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which NetHope files tax returns.

NETHOPE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

11. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NetHope's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

12. Reclassification

Certain 2013 amounts have been reclassified to conform to the 2014 financial statement presentation.

13. Subsequent Events

NetHope has evaluated the effect of subsequent events on these financial statements through February 18, 2015, the date the financial statements were available to be issued. Except as discussed in Note 4 related to the renewal of the line of credit, there were no subsequent events that require recognition of, or disclosure in, these financial statements.

SUPPLEMENTAL INFORMATION

NETHOPE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

	<u>Supporting Services</u>			Total Supporting Services	2014 Total	2013 Total
	Program Services	Management and General	Fundraising			
Consulting	\$ 3,216,691	\$ 213,684	\$ 54,083	\$ 267,767	\$ 3,484,458	\$ 4,092,867
Donated goods and services expense	1,039,711	157,723	-	157,723	1,197,434	2,450,282
Personnel	368,179	425,756	123,765	549,521	917,700	711,654
Travel and related expenses	200,263	60,366	3,675	64,041	264,304	451,581
Professional fees	33,407	203,020	-	203,020	236,427	248,770
Dues and subscription	26,321	194,510	769	195,279	221,600	39,706
Website, marketing and communication	143,021	42,610	-	42,610	185,631	97,450
Supplies	174,445	3,177	-	3,177	177,622	54,049
Grants	92,846	-	-	-	92,846	-
Occupancy	75,297	-	-	-	75,297	46,518
Conferences and meetings	11,754	43,738	-	43,738	55,492	48,048
Telecommunication	24,141	12,594	35	12,629	36,770	34,957
Bad debt expense	101	28,728	-	28,728	28,829	9,195
Depreciation	25,722	1,063	-	1,063	26,785	6,945
Postage and delivery	14,078	466	6	472	14,550	24,307
Printing and publications	4,717	6,431	37	6,468	11,185	7,576
Miscellaneous	3,111	6,361	745	7,106	10,217	514,548
Equipment	6,722	2,128	-	2,128	8,850	11,246
Insurance	490	6,342	-	6,342	6,832	2,450
TOTAL EXPENSES	<u>\$ 5,461,017</u>	<u>\$ 1,408,697</u>	<u>\$ 183,115</u>	<u>\$ 1,591,812</u>	<u>\$ 7,052,829</u>	<u>\$ 8,852,149</u>



Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NetHope, Inc.

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of NetHope, Inc. (NetHope), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NetHope's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NetHope's internal control. Accordingly, we do not express an opinion on the effectiveness of NetHope's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NetHope's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

Continued

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NetHope's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raffa, P.C.

Raffa, P.C.

Washington, DC
February 18, 2015



Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NetHope, Inc.

Report on Compliance for Each Major Federal Program

We have audited NetHope, Inc. (NetHope) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of NetHope's major federal programs for the year ended June 30, 2014. NetHope's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NetHope's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NetHope's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NetHope's compliance.

Opinion on Each Major Federal Program

In our opinion, NetHope complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2014.

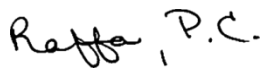
Report on Internal Control Over Compliance

Management of NetHope is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NetHope's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NetHope's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Raffa, P.C.

Washington, DC
February 18, 2015

NETHOPE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Agency or Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal Pass-Through Grant Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT			
Global Broadband and Innovations (GBI) Program	AUD-CIO-A-10-00001	98.001	\$ 3,068,178
Pass-through from Johns Hopkins University HealthComm Capacity Program (HCC)	AID-OAA-A-12-00058	98.012	<u>167,747</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,235,925</u>

NETHOPE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

2. Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Expenditures per schedule of expenditures of federal awards	\$ 3,235,925
Plus: Non-federal programs	<u>2,850,685</u>
Grants and Contributions per Statement of Activities	<u>\$ 6,086,610</u>

NETHOPE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: X Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's report issued on compliance for major programs: X Unmodified Qualified
 Adverse Disclaimer

Internal control over major programs:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Identification of Major Program(s):

<u>CFDA # / Grant #</u>	<u>Program Title</u>
98.001/ AID-CIO-A-10-00001	Global Broadband and Innovations (GBI) Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? X Yes No

NETHOPE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

B. FINDINGS – FINANCIAL STATEMENT AUDIT AND OTHER MATTERS

None required to be reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None required to be reported.